

## CHAPTER 4

### BUDGETARY ACCOUNTING

#### INTRODUCTION

##### Information Provided

An understanding of the purpose and application of budgetary accounting should be gained from this chapter. This chapter provides explanation and definition of budgetary accounting terminology, as well as the related specific object codes and their application within the state system. The state accounting system budgetary entries, documents, and reports are detailed. Examples of budgetary accounting transactions and the system reports are given. Recommended agency procedures for the state budgetary accounting documents and reports are included.

##### Purpose

The primary purpose of budgetary accounting is to control the availability of funds for expenditure by agencies. Budgetary accounting provides the information necessary to administer and monitor the budget. Within the state accounting system, information is provided as to amounts authorized, amounts made available, agency commitments, and balances available for each fund/center. This budget information may be further defined to control each expenditure category within a fund/center.

##### Terminology

Key terms for transactions unique to government budgets are defined as follows:

**APPROPRIATION** - the amount authorized by the State Legislature for use throughout the fiscal year for purposes specified.

The appropriations are necessarily determined based upon projected or estimated revenues. The Budget Committee and the Board of Finance are empowered to adjust or transfer appropriations throughout the fiscal year.

Appropriations are not available for spending until allotted by the Budget Agency.

**ALLOTMENT** - Budgetary transaction to record the funds made available for agency spending. The Budget Agency authorizes allotments.

**ENCUMBRANCE** - the commitment or obligation incurred by issuance of a purchase order for goods or services. Encumbrances reduce the allotment balance available for expenditure. An encumbrance is not recognized as an expenditure as the items or services have not been received or paid for.

#### OVERVIEW OF STATE BUDGETARY ACCOUNTING DUTIES

##### State Budget Agency

The State Budget Agency is responsible for the proper administration of the budget as approved by the Indiana legislature. The Budget Agency determines funds to be made available to agencies and prepares source documents for budget transactions. The Auditor of State's office then records the entries on the state accounting system. Each fund/center has been assigned a control code by the Budget Agency, which is applied by the accounting system to affect a specific level of budgetary control. Adjustments or transfer requests concerning the agency's budget are reviewed by the Budget Agency. The State Board of Finance,

which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one fund of the state to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Most intra-agency transfers can be considered by the Budget Agency.

#### Agency's Responsibility

It is the agency's responsibility to operate within the confines of the established budget.

In order to efficiently operate within the confines of the budget the following objectives should be realized:

- Obtain an understanding of the budget process and the controls or restrictions as applied to each fund/center.
- Prepare requests for allotments (available funds) accurately based upon complete consideration of contracts, planned programs, salaries and fringe benefits.
- Properly classify transactions within the state accounting system as to fund/object/center and the accounting rule applied.
- Be informed of the available balance of each fund/center.
- Perform timely analysis of the performance of fund/centers comparing budget to actual object totals to-date. Differences may require additional control procedures within the agency and communication with the Budget Analyst.

#### BUDGETARY OBJECTS

Within the accounting system for the State of Indiana, objects provide the means with which to record debit and credit information. Objects are the set of codes used to record and classify all transactions. Each object has an associated specific description or definition which applies consistently throughout the state accounting system.

The state accounting system contains objects used to record and retain budget information. The primary purpose of the budgetary objects within the state accounting system is to control the availability of funds for expenditure by agencies. The objects also provide information concerning commitments so that available balances can be determined.

The budget can be defined and controlled for each expenditure category within each fund/center. The budgetary objects correspond to the expenditure objects by use of the same categories, one through nine. As such, the objects can readily control expenses for various category levels. Budgetary objects are used to record the maximum amount authorized by law for expenditure during the year, the portion actually made available to the agency, and the commitments entered into for the fiscal year.

This section begins with a presentation of the budgetary object classes, explaining the basic accounting treatment or application. Then follows the specific definitions of the budgetary object categories, the object numbers and the explanation of their use.

The types of objects used to record budget transactions are: allotments, encumbrances, appropriations, allotted appropriations, and budgetary fund balance. The categories of allotted appropriations and budgetary fund balance use objects which begin with a nine, as do appropriations. These categories are separately accumulated and presented on the monthly Agency Object Trial Balance report. The specific

object codes for each category of budget objects are provided in the following sections, as well as the explanation of the definition, use, and source for each.

#### BUDGETARY OBJECT NUMBER

The object is a six digit number used to record transactions. The first digit is the indicative character. Budgetary objects for the fund/centers are indicated by first digits of 7, 8, or 9, which represent allotments, encumbrances, or appropriations, respectively. The second digit represents the major category and the third, fourth and fifth digits are the detail. The major categories and detail for budgetary objects generally correspond to the major categories and detail of the expenditure objects. The sixth and last digit is the transfer indicator, which will either be a zero, if not a transfer transaction, or a one for a transfer transaction. The transfer indicator allows for the accumulation of the total transfer transaction amount for each specific object.

A chart of the structure or components of the budgetary objects is provided on the next page.

BUDGETARY  
OBJECT

XXXXXX

X<XXXO>X

<u>X</u>	<u>X</u>	<u>XXO</u>	<u>X</u>
<u>INDICATIVE CHARACTER</u>	<u>MAJOR CATEGORY</u>	<u>DETAIL</u>	<u>TRANSFER INDICATOR</u>
7 ALLOTMENTS	0 = Total Operating 1-9 Corresponding See Note	Not = 000 Used	0 == > Not a Transfer  1 == > Transfer Object
8 ENCUMBRANCES	3-7 Corresponding See Note	Same as the Associated Expense	
9 APPROPRIATIONS	0 = Total Operating 1 = Personal Services 2 = Other Operating 8 = Budgetary Fund Bal.	000 or <u>5</u> 00 = allotment     000 or <u>1</u> 00 = reserve for encumbrances	

NOTE: Allotment and encumbrance categories correspond with the expenditure categories, of object class 5.

## BUDGETARY ACCOUNTING APPLICATION

In governmental accounting it is necessary to differentiate between budgetary objects and the remaining other object classifications. The following is a listing of the object classifications. The number shown is the first digit of the six digit object number. The object classes listed below the dotted line are the budgetary objects, indicated by the first digits of six through nine.

### Object Classifications

- 1 ASSET
- 2 LIABILITY
- 3 FUND BALANCE
- 4 REVENUE
- 5 EXPENDITURE

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- 6 ESTIMATED REVENUE
- 7 ALLOTMENT
- 8 ENCUMBRANCE
- 9 APPROPRIATION

The basic accounting element of debit entries equal to the credit entries applies to governmental accounting with one important distinction. Within the budgetary object classifications a balanced entry is required, whereby the debit and credit are each recorded to budgetary objects. Likewise, an accounting entry recorded to object classifications 1 through 5 requires both the debit and credit to be recorded within object classes 1 through 5. With respect to accounting entries, the budgetary objects are essentially segregated from the other objects. The accounting entries made do not cross the dotted line shown above, although certain transactions require entries to both budgetary objects and other objects. The entries will be made simultaneously and may reference the same document. The balanced accounting entry, or set of entries, occurs within the center.

## CLASSIFICATIONS OF BUDGETARY OBJECTS

### Estimated Revenues

Object classification 6 for estimated revenues is not recorded at the agency or center level. As such, it will not appear on any of the state accounting system reports for agencies. It is a budgetary object class utilized by the Budget Agency.

### Allotments

Allotments are the amounts the Budget Agency has made available to the agency for commitment or expenditure. The allotments are usually restricted to the associated category of expenditure, one through nine. An allotment to object 700000 may be used for any expenditure category. However, usually the only allotments to object 700000 are those made automatically by the accounting system for fund/centers with a center control code of six. Center control codes are explained later in this chapter.

### Allotment Objects with Descriptions

<u>OBJECT</u>	<u>DESCRIPTION</u>
700000	Allotment for Any Type of Disbursements
710000	Allotment for Personal Service Disbursements
720000	Allotment for Services Other than Personal
730000	Allotment for Services by Contract
740000	Allotment for Materials, Parts and Supplies
750000	Allotment for Equipment
760000	Allotment for Land and Structures
770000	Allotment for Grants, Subsidies, and Refunds
780000	Allotment for In-State Travel
790000	Allotment for Out-of-State Travel

Most allotment transactions are made quarterly from amounts recorded on Budget Allotment forms (BA) issued by the Budget Agency. To initiate the allotment process, the agency responsible for the fund/center must submit a request for allotment form.

Under certain circumstances, the Budget Agency has specifically authorized the Auditor of State to allot funds. In these cases the allotment is recorded from an Auditor Allotment (AA) document.

Fund/centers authorized to automatically allot within the accounting system, as designated by a center control code of six, have the entire accumulated fund balance allotted July first by the opening Journal Voucher (JV 1). Throughout the fiscal year, the revenue recorded to these centers is allotted as well. The allotment of the revenue for these centers is recorded with the Report of Collections form entry (RC). These allotments are made by the system to object 700000, which authorize availability to any type of disbursement.

Other allotment transactions for a fund/center, such as transfers or adjustments, may be recorded from Budget Allotment (BA) forms prepared by the Budget Agency or from Journal Voucher forms (JV) as prepared by the Auditor of State's office. Transfer transactions are recorded to transfer objects, as indicated by a last digit of one instead of zero.

Allotment transactions for a fund/center are reported to the agency daily on the Agency Available Funds Activity report. The total allotments for each category and the grand total for the center are given on the Agency Appropriation and Allotment Trial Balance report, which is also issued daily. The allotment balance, perhaps the most useful budget information, is calculated and presented on the Agency Appropriation and Allotment Trial Balance report as well. The allotment balance is the amount actually available to the agency for commitment or expenditure, considering the effect of the recorded expenditures and encumbrances

### Encumbrances

Encumbrances are the commitments or obligations incurred by purchase orders issued for goods or services, as requested by the agency. It is a budgetary entry only as the items or services have not yet been received or paid for. The encumbrance is recorded for the amount of the obligation for one fiscal year. Multi-year contracts then require a purchase order and an encumbrance to be recorded each fiscal year.

The object number for an encumbrance will begin with an 8. The category, or second digit, corresponds with that of the allotment and expenditure objects. The detail is the same as the expenditure, which describes the transaction further within the object category. The second, third and fourth digits are equal to that of the expenditure object (class 5). The fifth digit is not used and will always be zero. The sixth digit is the transfer indicator which is a zero if not a transfer transaction, or a one if a transfer. Encumbrance transfers occur very infrequently, if ever, so the encumbrance object generally ends with a zero.

An encumbrance may be issued for any associated expenditure object category within the accounting system. However, it is most frequently associated with categories 3 through 7. The chart below describes the encumbrance categories generally used. The detail is indicated by "XX". Again, the detail corresponds to that of the expenditure object "5".

#### Encumbrance Object Categories

<u>OBJECT</u>	<u>DESCRIPTION</u>
83XX00	Encumbrance for Services by Contract
84XX00	Encumbrance for Materials, Parts and Supplies
85XX00	Encumbrance for Equipment
86XX00	Encumbrance for Land and Structures
87XX00	Encumbrance for Grants, Subsidies and Refunds

The source for an encumbrance transaction is a purchase order document issued by the Department of Administration. The purchase order is not official until the Auditor of State certifies that a sufficient balance exists in the fund/object/center to cover the amount of the order and that the funds have been set aside for payment of the order.

Encumbrances are increased by purchase orders issued and decreased by the expenditures for payments of purchase orders. These accounting entries are made automatically by the accounting system through accounting rules when purchase orders and matched invoices for payments are posted. The detail for purchase order documents and matched invoices is provided in Chapter 5, Accounting for Expenditures.

Encumbrance transactions for the fund/center are reported daily on the Agency Available Funds Activity report. The summary of the total encumbrances for each fund/center is given on the Agency Appropriation and Allotment Trial Balance report, which is also issued daily. The encumbrance balance, together with total expenditures recorded, effectively reduces the allotment balance, or amount available to the agency.

Balances of the outstanding encumbrances at the end of the fiscal year automatically carry forward into the next fiscal year. Fund/centers which have been designated with a center control code of three or five, as they operate from legislative appropriations, will have the outstanding encumbrances transfer to a prior year center on July first. The prior year center is the same fund/ center number only with a last digit of the center as a one instead of a zero. Use of the prior year center serves to restrict the availability of unused or canceled encumbrance balances, which are then returned to the fund.

The balanced budgetary accounting entry for the center must be made within the remaining budget object classifications 7, 8 or 9. Each budgetary accounting entry for the center, therefore, requires an equal debit and credit entry within object classifications 7 through 9.

## Appropriations

An appropriation is the amount of total or maximum resources authorized for the entire fiscal year. Appropriations are not available to the agency for commitment or expenditure until allotted by the State Budget Agency.

Appropriations may be divided between an amount specifically authorized for personal service costs and an amount for other operating costs. If there are no such restrictions, then the appropriation is recorded as authorized for total operating costs. The Budget Agency may then allot the funds to any category.

The appropriation objects are described below.

### Appropriation Objects

<u>OBJECT</u>	<u>DESCRIPTION</u>
900000	Appropriation for Total Operating
910000	Appropriation for Personal Services
920000	Appropriation for Other Operating

If the appropriation was established with separate amounts for personal services and other operating, then the allotment will correspond. These are then strictly adhered to. No transfer, to increase or decrease the personal services category of an appropriation or allotment within the center, will be allowed without a formal review and official action of the State Budget Committee.

The majority of fund/centers receive an appropriation from the state legislature. The appropriation amounts are summarized by the Budget Agency and transmitted to the Auditor of State for input on journal voucher. This legislative appropriation is recorded on Journal Voucher #2 each July first. However, in certain cases, the legislative appropriation may be enacted and recorded at a later date.

The Budget Agency has designated certain fund/centers, which do not receive legislative appropriations, to have the entire fund balance appropriated as well as the revenue received. These fund/centers have been designated with a center control code of five. On July first, the system automatically records an appropriation entry equal to the fund balance for the center. Thereafter, the revenue transactions for the fund/center will then result in an automatic appropriation entry on the state accounting system. Again, the appropriated amount is not available to the agency until allotted by the Budget Agency.

Upon proper authorization of an appropriation transfer, it is recorded on a journal voucher form. Appropriation objects with the last digit of one, instead of zero, are used to record and summarize transfer transactions.

Appropriation transactions for the fund/center are reported daily on the Agency Appropriation Activity report. Columns for appropriations, transfers, and allotments of appropriations are provided.

The total appropriations recorded are summarized daily on the Agency Appropriation and Allotment Trial Balance report. The appropriation balance is calculated and presented as well.

## Allotted Appropriations

An allotment transaction makes the funds available to the agency for commitment or expenditure. The allotment of an appropriation increases the allotment and decreases the appropriation. Separate appropriation object codes are used to record the allotment entry. The allotted appropriation objects correspond to the



appropriation objects. These are differentiated by a five as the third digit of the appropriation object, as shown below.

#### Allotted Appropriation Objects

<u>OBJECT</u>	<u>DESCRIPTION</u>
905000	Allotted Appropriation for Total Operating
915000	Allotted Appropriation for Personal Services
925000	Allotted Appropriation for Other Operating

The descriptions of the allotted appropriation objects correspond to that of the appropriation objects and denote the allotment category. The Budget Agency may record the allotment associated to object 905000 to the total operating allotment, object 700000, or any category or combination of allotment categories. The allotted appropriation to object 915000 must be recorded to allotment object 710000 for personal services. The amount recorded to object 925000 may be allotted between any of the categories except personal services, 720000 through 790000.

The allotted appropriation transactions for the center, together with the source document reference, are reported on the daily Agency Appropriation Activity report, in the column labeled allotments. The associated entries to allotment objects are also reported on the Agency Available Funds Activity report in a column labeled allotments. The referenced source document is the same for the entry to the allotted appropriation object as for the allotment object entry. Usually, the source document is a Budget Allotment form (BA) issued by the Budget Agency. In a few cases, the Budget Agency has pre-authorized the Auditor's Office to allot funds via the Auditor Allotment transaction (AA).

The effect of entries to allotted appropriation objects is the reduction of the balance of the appropriation, or the amount available for future allotments. The appropriation balance for each center is given on the Agency Appropriation and Allotment Trial Balance report, issued approximately weekly. The total amount recorded to the allotted appropriation objects is equal to the difference between the appropriations and the appropriation balance presented for each category on the Agency Appropriation and Allotment Trial Balance report.

The totals recorded for each specific allotted appropriation object are summarized for the month and year to date on the monthly Agency Object Trial Balance report for the center. This report also summarizes the total entries for each object used by the center.

Use of the allotted appropriation objects within the state accounting system basically serves to record the reduction of the total appropriation which occurs upon allotment.

#### Budgetary Fund Balance

The budgetary fund balance objects facilitate the balanced accounting entry for the center budgetary transactions. The system has two budgetary fund balance objects which are described below.

<u>OBJECT</u>	<u>DESCRIPTION</u>
980000	Budgetary Fund Balance
981000	Budgetary Fund Balance - Reserve for Encumbrances

The accounting entries made to record the budgetary entries for the center must have the debit equal

the credit posted within object classifications 7, 8, or 9. The budgetary fund balance objects are used to record the "other side" of the entry for budget resource or encumbrance transactions.

The budgetary fund balance object 980000 is used to record the budget resource transactions for the center. For most centers, the budget resource is the appropriation recorded by entries to objects 900000, 910000 or 920000. For centers with a control code of six, the budget resource is the allotment to object code 700000. The entry to the budgetary fund balance object 980000 is the other side of the entry to record appropriations for the center, or for control six centers to record the allotments. To record, or increase these appropriations, or for control six only the allotments, the budgetary fund balance object 980000 is debited for an amount equal to the credit to the appropriation or allotment object. A decrease in the appropriation or the control six center allotment would have the reverse entry.

Transfers of the budgetary resources of appropriations, or allotments for control six centers, are also recorded to the budgetary fund balance object. All objects used to record a transfer transaction have a transfer indicator of a one, instead of a zero, as the last digit of the object. The necessary offsetting accounting entry for the transfer of budgetary resources is recorded to object 980001, budgetary fund balance transfer. A debit entry to object 980001 represents a transfer increasing the budgetary resource, which object is credited for an equal amount. The credit to object 980001 is a transfer reduction of the budgetary resource, which object is debited for an equal amount.

The source document for the entry to the budgetary fund balance object is the same document that affects the entry to the budget resource object. Any entry to appropriation object 900000, 910000 and 920000 is recorded to object 980000 as well. For control six centers, all entries to allotment object 700000 are also posted to object 980000. The source document may be a journal voucher entry authorized by the Budget Agency, or an automatic journal voucher entry by the accounting system to record the budget resource. For control code 5 or 6 centers, whose revenue is appropriated or allotted, the source of the entries to the budgetary fund balance object includes Reports of Collection or interdepartmental bills prepared by the agency.

On a daily basis, the increase or decrease to the appropriations and allotments are shown on the activity reports for the center. Each transaction is listed with the source document referenced. As the accounting system requires balanced accounting entries, the transactions recorded to the budgetary fund balance object, 980000, are not also provided.

On a monthly basis, the Agency Object Trial Balance report summarizes the total amount of the entries recorded to each object for the center, for the month and year-to-date. The total entry recorded to the budgetary fund balance object is thus provided for agency review. Generally, the report lists a total net debit entry for the budgetary fund balance object, equal in amount to the associated budgetary resource object(s) total credit entry. Such an entry is used to record the total budget resources for the fiscal year as well as any subsequent increases. The budget resource objects are the appropriation objects, or the allotment for a six control center. A total credit for the month posted to the budgetary fund balance object, with the equal debit posted to the budget resource represents a reduction of resources. A reduction usually results from transfer transactions, so the total entries would be listed for the transfer objects on the Agency Object Trial Balance report.

The budgetary fund balance object does not represent a budget balance or available funds to the agency. It only serves to record the accounting entry for the resource transactions, which is usually the appropriation. The appropriation balance is calculated on the Agency Appropriation and Allotment Trial Balance report. The appropriation balance is the total appropriation recorded less total allotted appropriation objects. The budgetary fund balance object is not affected by entries posted to the allotted appropriation objects. As such, object 980000 cannot be considered as a budget balance.

This also holds true for the centers with the control codes of six, whose budget resource is allotted. The allotment balance is calculated on the Agency Appropriation and Allotment Trial Balance as equal to allotments less expenditures and encumbrances. Encumbrances are recorded to the object 981000,

budgetary fund balance - reserve for encumbrance, as further discussed in the next section. Note that the journal entry to set up encumbrances, involves only BUDGETARY ACCOUNTS. The recognition of an expenditure, on the other hand, involves the regular accounts used for external financial reporting.

### Budgetary Fund Balance - Reserve for Encumbrances

Encumbrances are recorded to accumulate the total commitments or obligations resulting from issuance of purchase orders. Encumbrances are budgetary information only, as the items or services have not been received or paid for. Encumbrances are reversed when payment is made for purchase order items received. Upon payment, the actual expenditure is also recorded.

Any change to an encumbrance object, which has a first digit of eight, must also be recorded to object 981000, budgetary fund balance - reserve for encumbrance. Object 981000, is used to record the "other side" of the accounting entry for encumbrance transactions. Upon issuance of a purchase order, the specific encumbrance object (8 series) is increased by a debit entry and the 981000 object is credited for an equal amount. Upon payment or other reduction of purchase orders, the reverse entry is made. Accounting entries for encumbrance transactions are applied automatically by the accounting system.

On a daily basis, the changes to the encumbrances are shown on the Agency Available Funds Activity report for the center. Each transaction is listed with the source document referenced. As the accounting system requires balanced entries, the transactions recorded to the budgetary fund balance - reserve for encumbrance object, 981000, is also provided.

On a monthly basis, the Agency Object Trial Balance report summarizes the total amount of the entries recorded to each object for the center, for the month and year-to-date. The total entries recorded to the budgetary reserve for encumbrance object is thus provided for agency review. The year-to-date total credit to object 981000 is equal to the total debit to the category eight encumbrance objects. This year-to-date amount represents the total amount of outstanding purchase orders.

## REPORTING OF BUDGET INFORMATION

### System Reports Overview

The accounting system for the State of Indiana generates daily detail transaction reports entitled Activity reports, and summary total reports entitled Trial Balance reports for each fund/center. The reports are produced on Alchemy for each distributional agency. The Activity reports are furnished each day for which there are applicable transactions. The Activity reports which provide detail of budgetary transactions are as follows:

Agency Appropriation Activity report - Lists appropriation, appropriation transfers, and allotted appropriations transaction detail.

Agency Available Funds Activity report - Lists allotment, expenditure, and encumbrance transaction detail.

The summary totals of budgetary information are provided in the following reports:

Agency Appropriation and Allotment Trial Balance report - Provides the fiscal year-to-date totals of appropriations, appropriation balance, allotments, expenditures, encumbrances, and allotment balance for each center and grand total for the agency. The report is issued monthly.

Agency Object Trial Balance report - this report is issued monthly. It provides the month-to-date and year-to-date totals of each object and object category for the fund/center. Categories include:

assets, liabilities, fund balance, revenues, expenses, appropriations, allotted appropriations, allotments, encumbrances, and budgetary (fund balance or reserves).

The activity reports listed above contain all transactions recorded to object classes 5, 7, 8, and 9 (expenditures, allotments, encumbrances, and appropriations), except for budgetary fund balance and reserve for encumbrances, 980000 and 981000, respectively. Entries to object classes 1, 2, and 3 (assets, liabilities, and fund balance) are also omitted from all activity detail reports. The total amounts recorded to all object codes, however, are given on the Agency Object Trial Balance report. Given an understanding of the accounting entries, the effect to the omitted class objects may be readily ascertained through review of the activity reports.

The accounting system reports are also produced on a monthly basis in order to provide a comprehensive source of data. The monthly transaction detail reports will list and summarize all activity previously given on the daily reports. The trial balance reports will reflect total amounts as of the month end. At fiscal year end, each monthly report for a fund/center will be reproduced in a chronological sequence for the purpose of a comprehensive annualized presentation.

#### Agency Responsibility for Reported Information

The agency must review transaction reports and compare to the source documents. The agency thus shares the responsibility for the information recorded on the state accounting system. The agency copies of source documents are returned with, or before, the distribution of the daily Alchemy reports.

#### - Source Document Verification Procedures -

The agency must review activity reports and compare to source documents to determine the following:

- (a) All required agency document copies have been returned or received. Form copies of all budget transaction source documents are received by the agency except the system generated journal voucher entries JV 1, 2, 3 and 9999.
- (b) The documents are posted accurately. Verify the amount and object.
- (c) All transaction entries to the agency's fund/center are properly supported by source documents which belong to the fund/object/center to which they are posted.

The agency's review and comparison of source documents and activity reports should be made in a timely fashion. Any errors or omissions should be immediately reported to the Auditor of State's office. Questions concerning budget transactions may be asked of the Budget Agency Analyst assigned to your agency.

The source documents for budget transactions are summarized on the next page. The document reference numbers, as presented on activity reports, are listed and explained.

Following the source document list, the system reports of budget transactions are explained. An example of each is presented.

## LIST OF SOURCE DOCUMENTS FOR BUDGET TRANSACTIONS

### Budget Allotments

BAXXXXXX  
BA Budget Allotment Document  
XXXXXX Prenumbered Form Number

Issued by the Budget Agency. The form is entitled, Advice of Allotment. It is used to record allotments of appropriations and most allotment transfer transactions.

### Auditor Allotments

AAXXXXXX  
AA Auditor Allotment Document  
XXXXXX Auditor's Office Assigned Number

Issued by the Auditor of State's Office with authority granted by the Budget Agency.

### Journal Vouchers

JVXXXXXX  
JV Journal Voucher Document  
XXXXXX Auditor's Office Assigned Number

Journal Vouchers are used throughout the year to record corrections, transfers and adjustments. The following entries are made each fiscal year:

JV000001	Records the balance brought forward to new fiscal year.
JV000002	Records appropriations authorized by the State Legislature.
JV000003	Records state appropriations transferred to dedicated funds.
JV009999	Computer generated closing entry at fiscal year end. Entry made for the center determined by the center control code assigned by the Budget Agency.

### Purchase Order

POXXXXXXXX  
PO Purchase Order Document  
XXXXXXXX Prenumbered Form Issued by Department of Administration.

The amount of the purchase order is recorded as an encumbrance, which reduces the allotment balance available to the agency.

### Purchase Order Matched Payments

MXXXXXXXXX  
M Matched Payment Document  
XXXXXXXXX Vendor Provided Invoice Number, as listed by Agency.

The matched payment reduces the outstanding encumbrance and records the expenditure associated with payment.

## Report of Collections

RCXXXXXX

RC

Report of Collections Document

XXXXXX

Number Assigned By Treasurer's Office

Revenue recorded for centers with control codes of 5 or 6 is also recorded as an appropriation or allotment, respectively.

## Inter-Departmental Bills

ID###XXXXX

Paper Documents

ID

Inter-Department Bill

###

Supplying or Billing Agency Number

XXXXX

Supply Agency Assigned Document Number

ID##XXXXXX

Batch Processing

ID

Inter-Department Bill

##

Agency System Identifier, such as

ST = Central Stationery

TC = Telecommunications

XXXXXX

Billing Agency Assigned Document Number

Inter-Department revenue recorded for centers with control codes of 5 or 6 is also recorded as an appropriation or allotment, respectively.

## ACTIVITY REPORTS WITH BUDGET INFORMATION

### Report Headings

The report headings are standardized for the various reports issued from the system. The reports described above as containing budget information each contain the following heading:

Line 1 INDIANA AUDITOR OF STATE [Issuer]

Line 2 Report ID

Report Name

Page Number

Line 3 Run Date and Time [System date and time]

Posting Effective Date

Line 4 Agency Number and Name

Fund Center Number and Name

Center Control Number [1 digit]

Distributional Agency Number [3 digits]

Functional Agency Number [3 digits]

Funds Checking Indicator [1 letter]

The Agency Appropriation and Allotment Trial Balance report summarizes information for all centers of the agency. For this report, line 4 of the heading omits all but the agency number and name. Each fund/center number and center control code is then listed within the body of the report.

### Content of Activity Reports

Both the Agency Appropriation Activity report and the Agency Available Funds Activity report list specific budget transaction detail. Each report contains the following columns of information:

<u>Column Heading</u>	<u>Description</u>
EFF. DATE	Effective Date. The date on which the transaction was posted. The date is MM/DD/YR format.
DOC. REF.#	Document Reference Number. This identifies the specific source document which generated the transaction.
AUDIT ID	Reference number for Auditor of State use.
ARULE	Accounting Rule. This identifies the source system and specific rule used to record the accounting entry for the transaction.
OBJECT	The object number posted for the transaction.
MISC. REF.#	Miscellaneous Reference Number is not used at this time.
WN. REF.#	Warrant Reference Number. If a warrant was issued as a result of the transaction, the number is reported. Expenditure and Refund of Revenue transactions result in warrant issuance.

### Report Totals

Transactions are sorted and listed in the activity reports by the category of the object posted. The object category is shown as the second digit of the object number. The **POINT TOTAL** is the activity total of each report column for each object category for the period reported. The **CENTER TOTAL** is the activity total of each column for the fund/center for the period defined in the standard heading of the report.

### Agency Appropriation Activity Report

The amount of the transaction reported is listed in one of the following columns of the report for which the point and center totals are provided. The totals reported are only for the listed information, for the period of the report only. A sample report is presented on the next page.

#### **APPROPRIATIONS**

Appropriation activity during the period defined in the heading of the report appears in this column. The appropriation activity is any entry to objects 900000, 910000, or 920000 for the center.

#### **TRANSFERS**

Appropriation transfer activity during the period defined in the heading of the report appears in this column. The object for transfer transactions ends with a one instead of zero as 900001, 910001, or 920001.

#### **ALLOTMENTS**

Appropriation allotment activity during the period defined in the heading of the report appears in this column. The objects used to classify allotments of appropriations are 905000, 915000, and 925000.

INDIANA AUDITOR OF STATE  
 AGENCY APPROPRIATION ACTIVITY  
 07/01/2006 THRU 07/31/2006

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REPORT ID : GM-AGAPDE  
 RUN DATE 07/31/2006 20:49:31

AGENCY 300 NATURAL RESOURCES, DEPT. OF

FUND CENTER 1000 103000 ADMINISTRATION GENERAL

3300300

EFF DATE	DOC. REF.#	AUDIT ID	ARULE	OBJECT	MISC.REF#	WN. REF.#	APPROPRIATIONS	TRANSFERS	ALLOTMENTS
07/13/2006	JV000002	*VGM003552	BC50	910000			4,868,008.00	.00	.00
07/14/2006	BA014001	*VGN003706	BC00	915000			.00	.00	1,580,334.00
POINT TOTAL							4,868,008.00	.00	1,580,334.00
07/13/2006	JV000002	*VGM003702	BC50	920000			728,150.00	.00	.00
07/14/2006	BA014001	*VGN003849	BC00	925000			.00	.00	429,888.00
POINT TOTAL							728,150.00	.00	429,888.00
CENTER TOTAL							5,596,158.00	.00	2,010,222.00



### Agency Available Funds Activity Report

The amount of the transaction reported is listed in one of the following columns of the report for which the point and center totals are provided. The totals reported are only for the listed information, for the period of the report only. A sample report is presented on the next page.

#### **ALLOTMENTS**

Allotment transaction activity during the period defined in the heading of the report. All entries to allotment objects, which begin with a 7, are listed in this column, including transfers.

#### **EXPENDITURES**

Expenditure transaction activity during the period defined in the heading of the report. All entries to expenditure objects, which begin with a 5, are listed in this column. Expenditure transactions are further explained in Chapter Five.

#### **ENCUMBRANCES**

Encumbrance transaction activity during the period defined in the heading of the report. All entries to encumbrance objects, which begin with an 8, are listed in this column.

REPORT ID : GM-AGAFDE  
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AGENCY AVAILABLE FUNDS ACTIVITY  
09/01/2006 THRU 09/30/2006

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AGENCY 300 NATURAL RESOURCES, DEPT. OF

FUND CENTER 6000 134200 GAME BIRD HABITAT REST FUND 6300300F

EFF DATE	DOC. REF.#	AUDIT ID	ARULE	OBJECT	MISC.REF#	WN. REF.#	ALLOTMENTS	EXPENDITURES	ENCUMBRANCES
09/01/2006	RC500343	*VIA004274	BC46	700000			18.00	.00	.00
09/05/2006	RC500465	*VIE002773	BC46	700000			6.00	.00	.00
09/08/2006	RC500932	*VIH002632	BC46	700000			6.00	.00	.00
09/11/2006	RC501121	*VIK004461	BC46	700000			6.00	.00	.00
09/13/2006	RC501412	*VIM003177	BC46	700000			6.00	.00	.00
09/15/2006	RC501707	*VIO004020	BC46	700000			12.00	.00	.00
09/18/2006	RC501833	*VIR002393	BC46	700000			12.00	.00	.00
09/20/2006	RC502124	*VIT003077	BC46	700000			6.00	.00	.00
09/21/2006	RC502289	*VIU002847	BC46	700000			6.00	.00	.00
09/22/2006	RC502432	*VIV003684	BC46	700000			18.00	.00	.00
09/25/2006	RC502567	*VIY002585	BC46	700000			12.00	.00	.00
09/26/2006	RC502792	*VIZ002746	BC46	700000			6.00	.00	.00
POINT TOTAL							114.00	.00	.00
09/19/2006	B-C300C70010	*VIS001141	AP01	560100		001830579	.00	770.00	.00
09/19/2006	B-C300C70010	*VIS001141	AP01	560100		001830577	.00	400.00	.00
POINT TOTAL							.00	1,170.00	.00
09/01/2006	B-C300C70008	*VIA002221	AP01	572500		001810668	.00	500.00	.00
09/01/2006	B-C300C70009	*VIA002221	AP01	572500		001810680	.00	410.39	.00
09/12/2006	B-C300C70001	*VIL001348	AP01	572500		001821112	.00	560.00	.00
09/12/2006	B-C300C70005	*VIL001348	AP01	572500		001821121	.00	848.23	.00
09/12/2006	B-C300C70005	*VIL001348	AP01	572500		001821120	.00	564.00	.00
09/26/2006	B-C300C70009	*VIZ001090	AP01	572500		001837925	.00	96.37	.00
09/26/2006	B-C300C70009	*VIZ001090	AP01	572500		001837926	.00	34.44	.00
POINT TOTAL							.00	3,013.43	.00
CENTER TOTAL							114.00	4,183.43	.00

## Agency Appropriation and Allotment Trial Balance

This daily report gives year-to-date center and agency grand totals for appropriations, appropriation balance, allotments, expenditures, encumbrances, and the allotment balance. If the center has been designated with a control number of 3 or 5, then the totals are also presented for each object category.

The Agency Appropriation and Allotment Trial Balance report functions as a summary of the accumulation of transactions reported on the Agency Appropriation Activity and Agency Available Funds Activity reports. The report columns are explained as follows:

### BODY OF REPORT

<u>Column Heading</u>	<u>Description</u>
<b>AGY (Agency)</b>	This identifies the agency number for the fund/center. This will match the agency number in the heading of the report.
<b>FUND</b>	This identifies the fund number being reported on.
<b>CENTER</b>	This identifies the center number being reported on.
<b>PT (Point)</b>	These numbers represent the major object categories that the transactions are being posted to. Valid points are 0 through 9. The point is the same as the object category, or second digit of the object number. An asterisk (*) in this column represents the total for the fund/center. Totals are not given for centers with a control code of six.
<b>CTL (Control)</b>	The control number is listed in the total line for each fund/center. Fund/center controls dictate how revenue is distributed, at what level spending is controlled, and how the fund/center will close at year-end. Valid controls are 3, 5, and 6. See Center Control Reference.
<b>APPROPRIATIONS</b>	This column represents the year-to-date total appropriation amounts (including appropriation transfers) for each fund/center. Appropriations post to 0, 1, or 2 categories for object 900000, 910000, or 920000.
<b>APPR. BALANCE (Appropriation Balance)</b>	This column represents the year-to-date appropriation balance calculated for each fund/center. The balance reflects the total appropriations (including appropriation transfers) <u>LESS</u> any allotted appropriations.
<b>ALLOTMENTS</b>	This column represents the year-to-date total allotment amounts (including allotment transfers) for each fund/center. Allotments post to either 0 <u>OR</u> detail 1 through 9 major categories for object 700000 or 710000-790000.

Column Heading

Description

**EXPENDITURES**

This column represents the year-to-date total expenditure amounts for each fund/center. Expenditures will be totaled by major categories for fund/centers with a 3 or 5 control. Fund/centers with a 6 control reflect total expenditures.

**ENCUMBRANCES**

This column represents the year-to-date total encumbrance amounts for each fund/center. Encumbrances will be broken down into major categories for fund/centers with a 3 or 5 control. Fund/centers with a 6 control reflect total encumbrances.

**ALLOT BALANCE (Allotment Balance)**

This column represents the year-to-date allotment balances calculated for each fund/center. The balance reflects the total allotments LESS expenditures LESS encumbrances.

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INDIANA AUDITOR OF STATE  
 AGENCY APPROPRIATION & ALLOTMENT TRIAL BALANCE  
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AGENCY 062 PUBLIC RECORDS COMMISSION

AGY	FUND	CENTER	P C T T L	APPROPRIATIONS	APPR BALANCE	ALLOTMENTS	EXPENDITURES	ENCUMBRANCES	ALLOT BALANCE
062	1000	100630	1	1,329,301.00	1,010,269.00	319,032.00	266,933.06	.00	52,098.94
062	1000	100630	2	156,364.00	92,605.00	3,750.00	2,281.51	.00	1,468.49
062	1000	100630	3	.00	.00	42,600.00	16,691.06	4,849.92	21,059.02
062	1000	100630	4	.00	.00	11,177.00	9,940.53	.00	1,236.47
062	1000	100630	5	.00	.00	4,552.00	.00	.00	4,552.00
062	1000	100630	7	.00	.00	.00	5,384.50	.00	5,384.50-
062	1000	100630	8	.00	.00	480.00	173.00	.00	307.00
062	1000	100630	9	.00	.00	1,200.00	29.41	.00	1,170.59
062	1000	100630	* 3	1,485,665.00	1,102,874.00	382,791.00	301,433.07	4,849.92	76,508.01
062	1000	100631	3	.00	.00	5,135.98	.00	1,059.39	4,076.59
062	1000	100631	4	.00	.00	200.05	.00	200.05	.00
062	1000	100631	5	.00	.00	1,411.37	1,203.37	208.00	.00
062	1000	100631	* 3	.00	.00	6,747.40	1,203.37	1,467.44	4,076.59
062	1000	217330	0	132,116.91	26,612.91	.00	.00	.00	.00
062	1000	217330	1	.00	.00	15,575.00	12,337.87	.00	3,237.13
062	1000	217330	2	.00	.00	1,000.00	798.85	.00	201.15
062	1000	217330	3	.00	.00	34,203.00	20,951.22	.00	13,251.78
062	1000	217330	4	.00	.00	20,592.00	10,288.28	.00	10,303.72
062	1000	217330	5	.00	.00	34,134.00	.00	.00	34,134.00
062	1000	217330	* 5	132,116.91	26,612.91	105,504.00	44,376.22	.00	61,127.78
062	1000	217331	4	.00	.00	263.76	.00	263.76	.00
062	1000	217331	* 5	.00	.00	263.76	.00	263.76	.00
062	6000	101300	* 6	.00	.00	26.30	.00	.00	26.30
062	6000	101400	* 6	.00	.00	7.48	.00	.00	7.48
062	AGENCY TOTAL			1,617,781.91	1,129,486.91	495,339.94	347,012.66	6,581.12	141,746.16

### Agency Object Trial Balance

This report is issued monthly for each fund/center. It provides the total amount recorded to each object, for the month and for the fiscal year to date. The total of each object category is presented as well. The object categories include those of assets, liabilities, fund balance, and budgetary fund balance or reserves, which are not otherwise included on reports to agencies.

The report demonstrates that balanced accounting entries were made for the center and provides totals of each particular object. All other system reports present the increase or decrease to the category shown. The Agency Object Trial Balance report presents the total net entry to each object for the center. The report presents debit entry totals as positive and credit entry totals as negative amounts. The balanced accounting entries can then be determined by observing that the total debit entries equal the total credit entries for the center.

Just as debit entries must equal credit entries within any accounting system, so must assets equal liabilities plus fund balance. At this time, not all liabilities are recorded on the state accounting system for the fund/centers. Also, throughout the fiscal year, revenue and expense objects must be considered as components of fund balance. For each fund/center assets will equal fund balance plus revenue minus expenditures plus liabilities. Cash is the only asset for most fund/centers.

**IMPORTANT NOTE:** Proceed with caution when reviewing this report. Keep in mind that this report does not provide the available budget balance. The available balances are as shown on the Agency Appropriation and Allotment Trial Balance report. The Agency Object Trial Balance report is designed to summarize the total accounting entries made to each object code for the center. The available balance must then be calculated by subtracting total expenses and encumbrances from allotments. The "Budgetary" object category also is not the budget balance available to the agency. It simply facilitates balanced budget accounting entries for the center. Also, the cash presented is as defined for fund/center accounting entries, and does not pertain to a bank balance or the available budget balance.

### REPORT CONTENT

The center control code of 3, 5, or 6 is shown as the first digit of the number on the far right side of line four of the heading. The columns in the body of the report are explained on the next page with the report example following.

<u>Column Heading</u>	<u>Description</u>
<b>CATEGORY</b>	The objects reported are categorized as follows with totals presented of each category.
ASSETS	Objects begin with a 1.
LIABILITIES	Objects begin with a 2.
FUND BALANCE	Objects begin with a 3.
REVENUES	Objects begin with a 4.
EXPENDITURES	Objects begin with a 5.
EST. REVENUES	Objects begin with a 6.

<u>Column Heading</u>	<u>Description</u>
APPROPRIATIONS	Objects 900000, 910000, 920000.
ALLOTTED APPRO.	Objects 905000, 915000, 925000.
ALLOTMENTS	Objects begin with a 7.
ENCUMBRANCES	Objects begin with an 8.
BUDGETARY	Objects 980000, 981000.
<b>OBJECT</b>	The specific object in which accounting entries have been recorded for the center.
<b>DESCRIPTION</b>	The description of the object.
<b>YTD AMOUNT</b>	The year-to-date posted balance for the object on that line. Debit balances are presented as positive, credits as negative.
<b>MTD AMOUNT</b>	The month-to-date total of amounts posted for the object on that line. Debit balances are presented as positive, credits as negative.

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AGENCY OBJECT TRIAL BALANCE  
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AGENCY 022 SUPREME COURT		FUND CENTER 6000 117400 IN. CONTINUING LEGAL ED. COM 6022022		
CATEGORY	OBJECT	DESCRIPTION	YTD AMOUNT	MTD AMOUNT
=====	=====	=====	=====	=====
ASSETS				
	110000	CASH	69,605.58	119.49-
	110001	CASH	69,209.00-	23,069.69-
	SUB-TOTAL CASH		396.58	23,189.18-
	TOTAL ASSETS		396.58	23,189.18-
FUND BALANCE				
	388880	FUND BALANCE-UNDESIGNAT	1,249.32-	.00
	TOTAL FUND BALANCE		1,249.32-	.00
REVENUES				
	491800	REIMBURSEMENT	68,726.76-	.00
	TOTAL REVENUES		68,726.76-	.00
EXPENSES				
	510101	SALARIES & WAGES	48,226.50	16,075.50
	513001	PERF ST PD EM CONTR	1,446.84	482.28
	515001	SOCIAL SECURITY	3,538.46	1,179.51
	515201	BLUE CROSS HLTH INS	11,088.00	3,696.00
	515301	LIFE INSURANCE	147.54	49.18
	515801	PERF	2,652.42	884.14
	517101	DISABILITY	1,099.62	366.54
	517401	VISION CARE	52.80	17.60
	517801	EMPLOYEE ASSISTANCE	13.80	4.60
	518101	ST SHARE DEFERRED COMP	360.00	120.00
	518401	DELTA DENTAL TRAD	583.02	194.34
	SUB-TOTAL PERSONAL SERVICES		69,209.00	23,069.69
	572000	MED/HOSP-COMP CASES	370.50	119.49
	SUB-TOTAL GRANTS/SUBSIDIES		370.50	119.49
	TOTAL EXPENSES		69,579.50	23,189.18
ALLOTMENTS				
	700000	ANY TYPE DISBURSEMENT	69,976.08-	.00
	TOTAL ALLOTMENTS		69,976.08-	.00
BUDGETARY				
	980000	BUDGETARY FUND BALANCE	69,976.08	.00
	TOTAL BUDGETARY		69,976.08	.00



## EXPLANATION OF CASH AND FUND BALANCE

This section provides a basis for an understanding of the budgetary accounting entries, as well as the definition and use of cash and fund balance objects. Such an understanding is required for applying or determining the correct accounting entries and for review of the Agency Object Trial Balance report.

In governmental or fund accounting, cash and fund balance for the center are defined as the total or maximum resources authorized for the fiscal year. State agencies function with resources allocated by the budget process created by law. Resources may be allocated to a fund/center either through appropriations or revenues collected. The cash and fund balance for the center are not associated to a treasury or bank balance, but represent an integration of budget resources, which is usually an appropriation.

On July first, the beginning of the state fiscal year, the cash and fund balance for the center are recorded as equal to the annual legislative appropriation. For the fund types which do not receive legislative appropriations, the cash and fund balance are carried forward from the previous year. The resources available for these fund types, therefore, are affected by the accumulated net revenue or loss recorded.

Throughout the fiscal year, the cash object for every center is increased by revenue transactions and decreased by expenditures, as would be expected. Likewise, for all fund/centers, a transfer of budgetary resources to or from the center, of either appropriations or allotments, correspondingly increases or decreases the cash and fund balance.

Revenue transactions, while consistently increasing cash for all centers, will not necessarily affect the center budget or funds available to the agency. Revenues recorded for fund/centers which receive legislative appropriations (control 3, see next section) do not increase the budgetary balances. The appropriation was made in consideration of estimated or projected revenues. Instead, at the end of the fiscal year the total revenues together with appropriation and allotment balances are reverted, or returned, to the fund. The cash and fund balance for the center will also be reduced leaving an amount equal to the outstanding encumbrances. At the beginning of the next fiscal year, this will become the cash and fund balance of the prior year center, designated by a '1' as the last digit of the center (instead of 0).

For certain fund/center types (control 5 and 6, see next section), the Budget Agency has determined the budget resource to be the accumulated net revenue, or fund balance. These fund/centers do not receive a legislative appropriation. The resources for these fund/centers are the fund balance plus current revenues collected. The fund balance changed by the net revenue or loss posted, carries forward from the close of a fiscal year to the beginning of the next fiscal year. The Budget Agency determines whether these resources will be controlled or restricted through an appropriation, or whether the resources will be directly available to the agency as an allotment. During the fiscal year, revenues recorded to the center increase cash and budgetary objects of either appropriations or allotments, as assigned by the Budget Agency.

The total amounts recorded to cash and fund balance for the month and year-to-date is presented on the Agency Object Trial Balance report, together with the amounts recorded to all objects within the center. The change in cash and fund balance objects can be determined from transaction activity. Cash is increased by revenue and decreased by expenditures. Both cash and fund balance are affected by budget transfers to or from another fund/center. Neither the cash nor the fund balances are necessarily available to the agency. Budgetary accounting entries are required for all centers regardless of the resources applied. The allotment balance is that which is available to the agency for expenditure or commitment.

It is important to emphasize that cash and fund balance do not represent available budgetary balances. Budgetary balances of appropriation and allotments are calculated and presented on the Agency Appropriation and Allotment Trial Balance report.

## CENTER CONTROL CODES

The state accounting system has formally integrated budgetary information which serves to control the availability of funds for expenditure by agencies. Each fund/center has been assigned a control code by the Budget Agency, which is applied by the accounting system to affect a specific level of budgetary control. Center control codes provide for consistent, and even automatic, accounting entries to record and differentiate the budget resources and their availability. The center control code dictates the accounting entries for revenue and for the fiscal year-end closing.

Each center has a control code assigned of 3, 5 or 6. The control for a fund/center is assigned by the Budget Agency based upon legislative decisions and cannot be changed by an agency. The control code for each center is retained within the state accounting system and is included in all but one of the accounting reports to agencies. The control for each center is provided in the body of the Agency Appropriation and Allotment Trial Balance report in the column labeled "CTL." The center control is also listed in the report heading on all Activity reports and on the Agency Object Trial Balance report. In these reports the center control number is not labeled, but is the first digit of a seven digit number on the far right side of the last line of the report heading (under the page number).

Fund/centers receive budgetary resources from either a legislative appropriation (based upon forecasted or estimated revenues) or the actual revenues collected. Fund/centers with a control of 3 receive legislative appropriations as the budget resource. Fund/centers which have budget resources of actual collected revenues including accumulated net revenues, or fund balance, have been assigned control codes of 5 or 6. Control 5 centers have an appropriation entry of the revenue, such that the agency must request an allotment to obtain available funds. Control 6 centers have the budget resources allotted upon receipt and, as such, are immediately available to the agency for expenditure or commitment.

A control 3 center operates from legislative appropriations. Revenue recorded is considered restricted and is not available for agency use. At fiscal year-end, the revenue is returned to the fund to offset the appropriation, which was made in anticipation of such collections. For centers with a control code of 3, journal voucher entry 9999 automatically transfers the appropriation and allotment balances at June 30 to the fund. Any remaining balances in the control 3 center pertain to outstanding encumbrances for purchase orders. The next fiscal year these balances will be added to, or become the balances of the prior year center. The prior year center has the same control code and fund/center number, except the last digit of the center is a one instead of a zero. The prior year center activity is restricted to the payment or cancellation of the associated purchase orders. Center control code 3, therefore, serves to restrict revenue, close appropriation and allotment balances at June 30, and separate current and prior fiscal year activity.

Centers with a control code of 5 operate from actual revenues recorded. This includes the accumulated net revenue from the current year and the fund balance from the prior year. Revenue recorded to a center with a control code of 5 is also immediately entered as an appropriation. The agency must request allotments in order to commit or expend the monies. At fiscal year end, journal voucher 9999 automatically closes the allotment balance to the center's appropriation. The net revenue or loss for the fiscal year remains within the center as an increase or decrease to the fund balance object. Center control code 5 allows the utilization of accumulated revenues as a resource and controls the availability of those resources through appropriation entries.

Centers with a control code of 6 also operate from actual revenues recorded including the accumulated net revenue, or fund balance from prior years. For these centers, the resources are readily available for agency expenditure or commitment. The center control code of 6 indicates that the resources are recorded directly to the center allotment object 700000, available for total operating, or any necessary expense category. The net revenue or loss for the fiscal year increases or decreases the center fund balance object and thus affects future available resources.

A chart summarizing the characteristics for each center control code, as related to various transactions and events is presented on the following page.

#### SUMMARY OF CENTER CONTROL CHARACTERISTICS

<u>Transactions</u>	<u>Center Control Code</u>		
	<u>3</u>	<u>5</u>	<u>6</u>
APPROPRIATION	Legislative Appropriation JV 2.	Fund Balance Appropriated. Also Revenue.	Not Applicable.
ALLOTMENTS	Agency Requests Allotment by Category.  BA issued.	Agency Requests Allotment by Category.  BA issued.	Fund Balance Automatically Allotted to 700000, total operating
REVENUE	Restricted Not Available for Expenditure.	Received and Appropriated.	Received and Allotted.
CLOSING ENTRY	JV 9999 Appropriation and Allotment Balances Returned to Fund.	JV 9999 Allotment Balance Closed to Center Appropriation.	Not Applicable.
PRIOR YEAR CENTER	Yes. Outstanding Purchase Orders at 6/30 transfer to prior year center.	Yes. Outstanding Purchase Orders at 6/30 transfer to prior year center.	Not Applicable.
OBJECT RELATIONSHIPS	At 6/30, total Allotments = Fund Balance = Expenses + Encumbrances.	Total 900000 less Fund Bal. 388880 should equal Total Revenue.	Total 700000 less 388880 should equal Total Revenue.

## REQUEST FOR ALLOTMENT

For each fund/center that does not have automatically recorded allotments, the agency must estimate the expenditures for each quarter of the fiscal year and submit to the Budget Agency a Request for Allotment, Form 5750. The estimated amounts that the agency expects the fund/center to spend or obligate must be listed for each quarter of the fiscal year by object category.

The Budget Agency issues annual instructions as to policies and due dates for the completion and submission of the form. This section describes the basic considerations and methods for preparing the Request for Allotment, as well as the required agency verification procedures. The Budget Agency will send blank forms and a Summary of Appropriation Report for each applicable center. The Request for Allotment form must be completed for each current year center with a control code of three or five. It is not applicable to the prior year centers, as their budgetary fund balance equals the encumbrances with no appropriations or allotments posted. The Request for Allotment form is not required for centers with a control code of six, because the fund balance is automatically allotted to object 700000, total operating. The center control codes assigned to the agency's centers are listed in the Agency Appropriation and Allotment Trial Balance Report.

Columns are provided for each of the four fiscal quarters, as well as a reserve. An amount, or percentage, of the appropriation to be set aside in "reserve" may be required by the Budget Agency. The reserve is determined based upon revenue projections and the need to coordinate funding between fiscal years.

In the date column for each quarterly allotment request is the fiscal quarter number, 1-4 or 5 for the reserve, followed by .0 through .9. The numerical designation point zero (.0) through point nine (.9) identifies each major object category of budget and expenditure in the state accounting system. The point zero (.0) line, for total operating allotments, should be left blank. The Budget Agency requires that the quarterly allotment amounts be specified by category. The categories are described as follows:

- .1 Personal Services
- .2 Services Other than Personal
- .3 Services by Contract
- .4 Materials, Supplies, Parts
- .5 Equipment
- .6 Land and Structures
- .7 Grants, Subsidies and Awards
- .8 In-State Travel
- .9 Out-of-State Travel

The total column of all quarterly allotments requested plus the reserve for the fiscal year is equal to the appropriation for the center. The total annual allotment requested for the center, therefore, cannot exceed the amount appropriated less the reserve requirements. A personal services appropriation is the total amount entered as point one. It cannot be adjusted. The other operating expense appropriation is applied to categories point two through point nine. If the center receives a total operating appropriation, however, the allotment request may be applied to points one through nine.

The Request for Allotment form should be completed using the most current information available to the agency. The Budget Agency provides the total annual point allocations from the biennial budget development forms previously submitted by the agency. These category totals may be changed, within the total appropriation, upon preparation of the Request for Allotment. An explanation of the adjusted allocation must be submitted with the Request for Allotment. The agency should consider the changes in spending programs or contract obligations anticipated for the fiscal year. If estimated expenses or appropriated revenues are reduced, then an additional amount should be added to the reserve. Agency procedures to determine such changes may include the review and comparisons of the budget development materials, and the prior fiscal year and current year-to-date category totals of expenditures plus encumbrances. Category totals for the

center are presented on the Agency Appropriation and Allotment Trial Balance Report. Further detail of object totals is presented on the Agency Object Trial Balance Report for the center.

The following items should be considered when preparing the original allotment request for a center:

1. The number of pay periods in each quarter varies; the exact amount of each quarterly allotment for personal services (.1) must be calculated.
2. Fringe benefit costs are a part of the personal services allotment. The Auditor of State will automatically deduct the fringe benefit costs from the center. As such, these amounts should not be considered available to support direct payrolls. The percentage of fringe benefits to salaries is determined by the Budget Agency and includes the state share of Social Security, retirement fund contributions, disability and life insurance. A fixed dollar amount is established for the dental and health insurance benefits for each employee. Be sure to include all applicable fringe benefit costs for the number of pay periods in each quarter's personal services allotment request.
3. Utility bills for the month of June, travel claims covering the period June 16 to June 30, payrolls for the period of the last half of June, interdepartmental bills for supplies or services for the month of June, and any other miscellaneous expenses incurred during the period June 16 to June 30 shall be charged to the appropriation for the succeeding year.
4. Annual contract obligations, such as building rent and equipment lease or maintenance agreements should be shown in the first quarter of the Request for Allotment in category three, Services by Contract. The totals for these annual contracts are obligated (encumbered) at the start of the fiscal year, even though payments are made monthly throughout the year.

#### Basic Form Completion Procedures

The Request for Allotment form completion procedures are as follows:

1. Complete the form indicating the quarterly allotment amount for each category. Do not include cents. Round to the nearest dollar.
2. Verify that the totals add down and across. Determine that the grand total of the category total column equals the sum of the quarterly allotment and reserve totals.
3. Obtain the signature of the agency head.
4. Retain a copy at the agency accounting department for verification of allotments posted to the center. No documents will be forwarded to the agency upon entry of the allotment transactions.
5. Send the original to the Budget Agency.

#### Allotment Verification Procedures

The agency should verify each budget allotment (BA) transaction posted for the centers it manages as follows:

1. Review the Agency Available Funds Activity Report issued daily for each center.
2. Compare each Budget Allotment transaction to the Request for Allotment form.
3. Enter a check mark on the Request for Allotment for each amount verified as correctly posted to the center. Notify the Budget Agency of any differences or omissions, which were not otherwise communicated to the agency.

#### SPECIAL CONSIDERATIONS FOR CONTROL 5 CENTERS

Centers with a control 5 code assigned receive automatic appropriation entries for revenue recorded. The Request for Allotment form is completed using a calculated annual appropriation amount, provided by the Budget Agency, considering the projected revenue for the center. The quarterly allotments transactions are then recorded from the approved Request for Allotment form. The agency is responsible for monitoring the revenue recorded and the appropriation balance for the center. The appropriation balance should not become overdrawn. If revenue decreases, then the agency must transfer the balance necessary or decrease the expenditures and obligations accordingly.

#### MONITORING OF ALLOTMENT BALANCES - FUNDS CHECKING PROGRAM

Another form of budgetary information integrated into the accounting system is the funds checking program. The program is designed to prevent payment against fund centers with negative allotment balances as stated in IC 4-13-2-18. This control occurs for the categories of Total Operating (major object .0), Personal Services (major object .1), and Other Operating (major objects .2 through .9 cumulatively). Agencies need to work closely with their Budget Agency Analyst and maintain accurate document control registers to facilitate compliance with IC 4-13-2-18.

Some fund centers have special circumstances which would cause the Auditor to allow expenditure against a negative allotment. These fund centers have been marked with a Funds Checking designation. These designations appear as a letter after the center control number, functional agency number and distributional agency number in the report headings of the activity reports. If no designation appears then the center is subject to normal funds checking procedures. The following are the designations which have been established:

- O** - Open ended appropriations - where state funds are by statute appropriated as necessary to pay all expenses.
- F** - IC 4-13-2-18(i) states that ". . . a notice of federal grant award shall be considered an appropriation against which obligations may be incurred, funds may be allotted, and encumbrances may be made." These centers will be marked with a 'C' if the federal program falls within the Cash Management Improvement Act and an 'F' for all other federal accounts.
- E** - Exempt fund centers - This designation is for accounts which have specific statutory exemption.
- D** - Distribution amounts are made even if an insufficient allotment exists. The insufficient allotment should be corrected as soon as possible.
- P** - Payroll expenses are made even if an insufficient allotment exists. The insufficient allotment should be corrected as soon as possible.

The Auditor of State will not process a transaction unless sufficient allotments exist. In the event that a transaction is presented to the Auditor of State's office and there are insufficient allotments to process the transaction, the transaction will be returned to the agency. The agency is then responsible for having the necessary allotment processed. The agency should contact their budget analyst for assistance. Once the allotment is processed and the fund center shows a sufficient allotment balance, the payment should be

resubmitted to the Auditor's office for payment.

Proper fiscal planning and the maintenance of accurate and current records, prescribed as part of the agency's accounting system, should eliminate overdrafts and thus insure compliance with budgetary statutes and appropriations. See the section for Appropriation and Allotment Transfers.

## APPROPRIATION AND ALLOTMENT TRANSFERS

The budget process includes agency responsibilities of budget preparation, such as requests for allotments, and the monitoring of the actual obligations incurred. Agency budgeting also involves continual planning and comparing, considering the planned fiscal requirements and the remaining budget balances. Changes in conditions, agency plans, or transactions may necessitate an agency request for budgetary transfer. Such transfers should serve to most effectively utilize agency resources throughout the fiscal year.

This section informs the agency accountant as to the transfer transaction requirements for approvals, restrictions, procedures, forms, system accounting entries and report presentation. Later in this section other budgetary transfer transactions are described which may be authorized by the State Budget Agency or the State Board of Finance.

The agency may request the Budget Agency to transfer allotments or appropriations between object categories within a fund/center, or between fund/centers managed by the agency. Allotment transfer requests are to be made on the Transfer Request form [Form B-14]. Appropriation transfer requests are made by formal correspondence to the Budget Agency Director.

The agency may also request an amount to be allotted from a subsequent quarter. This increases the amount available currently, but reduces the amount to be made available in the future. Such a request is also made on the Transfer Request form.

Transfer transactions between funds may be restricted by law. Rotary or revolving funds are to be kept intact. These funds consist of earnings and income only from certain sources. The balance of such a fund does not revert. Rather, it is retained within the fund/center and may accumulate. However derived, the money in the fund shall be used for the purpose designated by law as working capital. ". . . no part thereof shall be used for any purpose other than the lawful purpose of the fund or revert to any other fund at any time." [P.L. 246-2005 Section 1(c) (2)].

Budget Agency analysts are authorized to approve most allotment transfers within a fund/center. An exception is any transfer to, or from, the personal services category, when the center appropriation was recorded as personal services, object 910000. The formal approval of the Budget Director and the Governor are required for these personal service allotment transfers, as well as all transfers between fund/centers within an agency. It is important then for agencies to consider the time requirements for such approvals and plan any such transactions accordingly. Transfer transaction approvals by the Budget Director and Governor are contained within the formal minutes records of the Budget Agency.

The agency should maintain an awareness of the restrictions for budgetary transfer transactions which may be applicable to each of the fund/centers managed by the agency. These restrictions would apply to those centers with the personal services appropriation, or to revolving funds as explained above. Such restrictions may be listed or entered in agency budget records for necessary reference.

## ALLOTMENT TRANSFER TRANSACTIONS

If, during a quarter, the agency determines that a center's expenditures plus encumbrances will exceed the amount allotted for a particular major object category (point), an allotment transfer may be requested from the Budget Agency. Allotment transfers within a center may be requested to change available funds between object categories, or to change the fiscal quarter in which funds become available.

When it appears that additional funds are required for a fund/center, the agency should first ascertain the amount required, by object category, for the balance of the fiscal quarter. Also, determine the reason that additional funds are now required and the effect to funding the remainder of the fiscal year. This could entail review of transactions, and comparisons to calculations used to prepare the Request for Allotment. Decisions to reduce or curtail certain expenditures or planned procurements may be required.

The sources first considered for transfer should be those from within the fund/center, which can be authorized by the Budget Analyst. Determine if the amount required is available in other allotment categories within the agency fund/center. If the reason a transfer is needed suggests a reduction in future allotment requirements, then a transfer from a subsequent quarter allotment may be requested. This transfer increases currently available funds, but reduces the future planned quarterly allotment. An example is a seasonal expense incurred.

A significant restriction exists for transfers to, or from, the personal services category, object 710000, when the center appropriation was specifically recorded to object 910000, personal services. In that case, the associated allotment cannot be transferred to, or from, other categories without formal action of the Budget Director and Governor. The Budget Analyst could, however, authorize an allotment transfer from a subsequent quarter's personal services allotment, if a sufficient balance would remain.

If an amount is not available from within the centers other categories or subsequent allotments, then an allotment transfer from another agency center may be considered. Note that allotment transfers between centers are restricted to transfers of currently available funds. An appropriation transfer would be requested for larger transfer requirements.

The allotment Transfer Request Form B-14 may be used to request a transfer from one major budget classification to another, or to obtain an allotment transfer from a subsequent quarter's planned allotment. It is also used to request transfers between fund/centers within an agency.

Instructions for the Transfer Request form are:

1. Budget Number - Enter the fund/center number, if the allotment transfer request applies only to one center. Enter "See below" if the transfer is between centers. (See 4 below.)
2. State Agency - Enter the agency name and three digit number.
3. Approp. Name - Enter the fund/center name as it appears on the state accounting system reports.
4. Transfer From, Transfer To line - Enter the fund/center number applicable to each if between fund/centers.
5. Circle the Period Class Code for each side of the transaction. The period class code corresponds to the line numbers on the Request for Allotment form. The first digit of one through four represents the fiscal quarter. A five represents the reserve. (See Note below.) The second digit represents the allotment object category, described as budget classifications on the form.



6. Enter the amounts on the corresponding line(s).
7. Total the transfers from and transfers to columns. The totals must be equal.
8. Enter the Reason for Transfer.
9. Authorized Signature would be that of the Agency Head.

Note: Transfers from the fund/center reserve should not be considered. Contact the Budget Agency prior to submission of any request concerning use of the reserve.

10. Retain a copy of the Transfer Request form for agency records. Send, or deliver, the original and one copy of the Transfer Request form to the Budget Agency.
11. The agency copy of the Transfer Request form should be filed chronologically by the date of request in a pending budgetary transfer file.

#### STATE ACCOUNTING SYSTEM ENTRY

Allotment transfer transactions authorized by the Budget Agency are then entered into the State Accounting System directly as BA documents or may be transmitted to the Auditor of State for JV entry.

Allotment transfers between fund/centers are recorded to objects which indicate a transfer by the last digit of one instead of zero. The transfer objects then have separately accumulated totals listed on the Agency Object Trial Balance Report.

Object transfer indicators are not used when the transaction occurs within the center. Allotment transfers within a center are recorded as increases and decreases to the original allotment objects, with the last digit of zero.

The allotment transfer transaction is reported to the agency on the Agency Available Funds Activity Report with the amount listed in the allotment column.

No document is transmitted to the agency upon recording the transaction. The agency is responsible for comparisons to their Transfer Requests form.

#### AGENCY PROCEDURES UPON ALLOTMENT RECORDED

The agency should be aware of the source of all budgetary transactions affecting their fund/centers. When an allotment transaction is observed on the Agency Available Funds Activity Report it should be traced to the pending Transfer Request file. Contact the Budget Agency for further information if an agency request cannot be located. The agency should verify the allotment transfer transactions as follows:

- Remove the Transfer Request from the pending file and compare information to that of the Activity Report. Determine that the correct fund/center, object and amount were recorded as transferred to, and from, as applicable.
- Enter a checkmark on the Transfer Request form to indicate verification of a correct entry. The document reference number and effective date given on the Activity Report should be entered on the top of the Transfer Request form.

- File the completed Transfer Request form with the Request for Allotment form for the fund/ center.
- Post any future quarter allotment reduction to a working copy of the Request for Allotment form, and other budget records maintained by the agency.
- If the allotment transfer request was between two fund/centers, then verify that each was properly recorded and place a copy the Transfer Request form with each affected fund/center Request for Allotment form.

The agency should regularly review the pending Transfer Request file. Contact the Budget Agency concerning requests for transfer within a fund/ center that have not been processed in one week. Transfers between centers take longer. Contact the Budget Agency for the current timetable.

### APPROPRIATION TRANSFER TRANSACTIONS

An appropriation transfer between centers managed by the agency may be requested when the amount required for transfer exceeds the amount available as an allotment transfer. This could occur due to changes in funding responsibilities or requirements deemed necessary by agency management. State statute allows for such changes as ". . . every appropriation made and hereafter made and provided, for any specific use or purpose of an agency of the state is and shall be construed to be an appropriation to the agency, for all other necessary and lawful uses and purposes of the agency, subject to the aforesaid request of the agency and concurrence of the budget agency." [(IC 4-12-1-12 (e))].

Appropriation transfers are required for larger amounts to be transferred between centers. Such transfers may be made only upon authorization of the Budget Agency Director and approval of the Governor. The agency request for an appropriation transfer is made by formal correspondence from the agency head to the Budget Agency Director. The letter of request should explain the reasons for the appropriation transfer and provide the necessary accounting detail in a schedule as follows:

<u>Appropriation Transfer</u>	<u>Appropriation Transfer</u>
From: fund/object/center	To: fund/object/center
Amount: \$	Amount: \$

The objects specified should be that of an appropriation transfer, either 900001, 910001, or 920001, as applicable. The allotment of the transferred appropriation amount should also be requested within the letter. The transferred amount is generally allotted in full to object 700000 upon entry of the appropriation transfer. The request letter should be signed by the agency head. A copy should be retained in the agency's accounting department, filed chronologically in a pending transfer request file. Contact the Budget Agency for the current time requirement for appropriation transfer transactions.

Upon Budget Agency approval of the transfer transaction, as entered in the official minute's records, the accounting entry is made on the state accounting system. The document reference is BA for transactions entered by the Budget Agency, or a JV if entered by the Auditor of State.

The appropriation transfer is reported on the Agency Appropriation Activity Report for each affected center on the effective date of the transaction. The amount is listed as an increase or a decrease in the transfer column. Transaction detail of date, object, document reference, and the accounting rule applied are listed. The other affected center, however, is not referenced. The agency is responsible for determination or verification of the source and amount of all budgetary transfer transactions.

## AGENCY PROCEDURES UPON APPROPRIATION TRANSFER

No document is transmitted to the agency upon recording an appropriation transfer transaction. When an appropriation transfer transaction is observed on the Agency Appropriation Activity Report for a center, it should be compared to the pending transfer request correspondence file. Contact the Budget Agency for information if the source of the transfer cannot be ascertained from agency records or prior Budget Agency communication. The following procedures should be performed:

- Remove the applicable transfer request or other documentation from the pending appropriation transfer file.
- Compare the transaction information posted on each agency center Appropriation Activity Report to that requested or otherwise authorized. Determine that the correct fund/object/center and amount were recorded as transferred to and from. Enter a checkmark on the transfer request to indicate observation of the correct entry.
- The document reference number and the effective date, listed in the Appropriation Activity Report, should be entered on the transfer request correspondence copy, for cross reference purposes.
- Determine that the center which received the appropriation transfer had an allotment posted in an equal amount. Review the Agency Available Funds Activity Report for the allotment column entry. Contact the Budget Agency if the transferred amount was not allotted.
- Place a copy of the verified and referenced transfer request with each affected fund/center Request for Allotment file. For the center transferred from: post the future allotment reduction to a working copy of the Request for Allotment and other budget records maintained by the agency.

## BUDGETARY TRANSFER TRANSACTION BETWEEN CENTERS

The accounting entry made by the State Accounting System for a budgetary transfer between centers is shown below. The budget transfer may be either an appropriation or an allotment transfer. The Agency Appropriation Activity Report for each of the affected centers will list the entry recorded to the specified appropriation transfer object(s). The Agency Available Funds Activity Report for each center will list the entry recorded to the allotment transfer object specified for those transactions. The monthly Agency Object Trial Balance Report for each center provides the total amount entered to all objects, including that of cash, fund balance, and the budgetary fund balance transfer objects.

Accounting Entry for the Fund/Center Receiving the TRANSFER IN:		<u>DEBIT</u>	<u>CREDIT</u>
110001	Cash	\$ XXX.XX	\$
388881	Fund Balance		XXX.XX
980001	Budgetary Fund Balance	XXX.XX	
7X0001	Allotment Transfer		
	or		XXX.XX
9X0001	Appropriation Transfer		

Accounting Entry for the TRANSFER OUT  
from a Fund/Center:

Accounting Entry for the Fund/Center Receiving the TRANSFER IN:		<u>DEBIT</u>	<u>CREDIT</u>
388881	Fund Balance	XXX.XX	
110001	Cash		XXX.XX
7X0001	Allotment Transfer		
	or	XXX.XX	
9X0001	Appropriation Transfer		
980001	Budgetary Fund Balance		XXX.XX

Note: The amounts recorded to each object shown above are equal. The allotment or appropriation transfer may have specified categories shown as the second digit of the object, or may be available as total operating with the second digit of zero.

### OTHER TRANSFER TRANSACTIONS

Not all budgetary transfer transactions are initiated by the agency. The Budget Agency and the State Board of Finance have the authority to transfer funds. This section begins with a description of these duties and functions. Recall also that the fiscal year-end closing entries include budgetary transfer transactions made by the accounting system in accordance with the center control code.

The State Budget Agency powers and duties include that of reducing or withholding allotments to agency fund/centers as considered necessary to balance the state budget.

Certain funding transfer requirements are implemented by the State Budget Agency as authorized and specified in the Appropriation Act and the State Budget Report. These include transfers of state appropriations to dedicated funds. The Budget Agency may transfer the total specified amount to the agency dedicated fund/center at the beginning of the fiscal year, or on a monthly or quarterly basis. The transfer is made from another of the agency's centers which had received the original appropriation. The agency does not have to request this authorized transfer transaction. The Budget Agency also establishes agency fund/centers for capital projects and transfers these funds as authorized and specified by law. Capital projects are described more fully in that section of this chapter.

The Budget Agency has provided that the Auditor of State may transfer funds between certain agency fund/centers for expediency in accounting for federal grants. Such cases have been determined on a case by case basis. For these transactions, the agency request that by journal voucher the Auditor of State transfer the allotment amount necessary between specified agency fund/centers.

The Budget Agency can only make budgetary transfer transactions between agencies if the requirements of Indiana Code 4-12-1-14.1 are met.

"For federal aid programs that involve more than one agency, the budget agency may transfer, assign and reassign any part of any appropriation made for the federal aid program from a state agency involved in the program to another state agency involved. However, this transfer may only be made if the uses and purposes to which any part of the appropriation may be transferred, assigned or reassigned are uses and purposes of the federal aid program involved."  
[IC 4-12-1-14.1].

The Governor, Auditor of State, and Treasurer of State constitute the State Board of Finance. "The board may transfer money between state funds, and the board may transfer money between appropriations for any board, department, commission, office, or benevolent or penal institution of the state. After the transfer is

made, the money of the fund or appropriation transferred is not available to the fund or the board, department, commission, office benevolent or penal or institution from which it was transferred." [IC 4-9.1-1-7 (a)].

## BUDGETARY ACCOUNTING FOR CAPITAL PROJECTS

Capital projects include the construction, reconstruction, rehabilitation, repair, purchase, rental and sale of state properties, the purchase and sale of land, including equipment for such properties, and state grants to municipalities for various projects. Appropriations for capital projects are made from several funds, as specified in the Appropriation Act, including the state general fund. Construction, rehabilitation or repair appropriations are made available for a minimum of four fiscal years.

This section explains the approval requirements for each type of capital project, as well as the budgetary accounting transactions. This section does not apply to the construction or maintenance of roads or bridges, or to the acquisition of rights of way for roads and bridges. The appropriations for said projects are received and managed by the Department of Transportation.

According to IC 4-12-1-14 (b), all state agency construction grant requests must be approved by the Budget Agency before submission to the federal funding authority. Such projects remain subject to the Public Works Division laws of IC 4-13.6. Budgetary accounting transactions and the fund/ centers necessary for each federally funded capital project are determined by the Budget Agency. The procedures described in the remainder of this section pertain to the use of State appropriations for construction projects.

There are three basic categories of capital projects: preventative maintenance, repair and rehabilitation, and acquisition or new construction.

On July first, the beginning of the state fiscal year, 40% of the biennial amount provided for preventative maintenance is recorded as an allotment transfer from the designated fund to the agency's or institution's preventative maintenance fund/center. Throughout the fiscal year, the Budget Agency reviews and approves all acquisitions for preventative maintenance submitted to the Public Works Division of the Department of Administration.

Amounts appropriated for repairs and rehabilitation and new construction or acquisitions remain controlled by the Budget Agency, and are not made available to the agency until a Project Request has been approved. Project Request forms must be completed by agencies and submitted to the Public Works Division for repair, rehabilitation, or new construction. Those Project Requests approved by the Public Works Division are transmitted to the Budget Agency.

The Budget Agency may approve those Project Requests under \$100,000. Project Requests of \$100,000 and above must be approved by the State Budget Committee. The Budget Committee is comprised of the Budget Agency Director and four State Legislators. State grants to municipalities for capital projects must also be approved by the Budget Committee.

Agencies are to submit their proposals for new projects, special purposes or objects, construction, additions, building, improvements, undertakings or expansions of work requiring additional state expenditures and capital outlays to the Budget Agency for consideration for inclusion in the State Budget Report. [IC 4-12-1-7].

The Budget Agency establishes a capital project center for each approved project request and enters an allotment transfer from the fund designated by the Appropriation Act. The fund/center must be used exclusively for the specified project. The project may include equipment for state properties, as approved.

The allotment balance of fund/centers, established for preventative maintenance, repairs or construction capital projects, does not revert at fiscal year end. The allotment balance carries forward to the next fiscal year. Capital project centers are identified by a center number with a first digit of three. They have a center

control code of six, which indicates the nonreverting allotment balance.

Various categories of expenditure may be recorded to a capital project center as necessary for the specific project authorized.

Agency requests for additional funds for preventative maintenance, or for a capital project listed in the Appropriation Act, must be approved by the Budget Director and the Governor. Additional funds required for a repair and rehabilitation project may be transferred by the Budget Agency from the same designated source, or from an excess balance of another of the agency's capital project centers.

When a capital project is completed and the final payment recorded, the Budget Agency should be notified. The fund/center number can then be cancelled and any remaining balance returned to the source fund. This transfer increases the amount available for other capital projects.